Office Memorandum • UNITED STATES GOVERNMENT

TO : ARA - Mr. Cabot

DATE: May 21, 1953

FROM : MID - Mr. Leddy

SUBJECT: Relations with Guatemala

I. Communist Infiltration

1. The trend toward increased communist strength is uninterrupted. A gigantic May Day celebration was used as a Commie display of strength, and the Communist labor leader Gutierrez made a rabid speech threatening the opposition with destruction. President Arbenz attended this rally, also made a speech (denying that Guatemala is Communistic) and warmly embraced Gutierrez. The Administration seized upon the ill-planned and abortive uprising at Salamá on March 29 to make a prolonged tirade on the "vast international conspiracy against Guatemala" and to intimidate the anti-communist opposition, jailing most of the active leaders it could lay hands on.

2. Nothing is yet known to verify the alleged asylum in Guatemala of the two bail-jumping U.S. Communists, Winston and Green, who were convicted with eleven other top Communists of Smith Act violation. When the charge was made by the INS correspondent, Stanley Ross, last March (on information given him by Trujillo), Foreign Minister Oseguada announced an investigation would be made, but nothing further has been reported, either on the investigation or verifying that Winston and Green are in Guatemala. (The Subcommittee inquired about this report in March).

3. The Guatemalan Congress stood in silence in memory of Joseph Stalin, the only government body in the Western Hemisphere to do so. The Guatemalan labor federation is angling to affiliate with WFTU and CTAL. The official and semi-official press continues pro-communist.

II. International Relations

1. Guatemala on April 1 withdrew from the OEDCA charging threat to its sovereignty from the attitude of the four other members, and also complained to the United Nations. Among its charges is a re-hash of old stuff about former Ambassador Patterson and Spruille Braden. Salvador and Nicaragua replied to the Guatemalan charges directly and sent copies to the UN. We decided to ignore the charges, as Guatemala, at least in the UN, was engaged solely in a propaganda maneuver.

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2. CAFEA continued on at San Jose in a special meeting on April 16, without Guatemala, but the door was left open for Guatemala to come in at any time. The next formal meeting of CAFEA is scheduled to be held in Nicaragua but the date is not yet fixed. There is no sign that Guatemala will reconsider its decision to leave CAFEA.

III. American Interests Under Attack

1. The United Fruit Company remains a prime target of the leftist Government coalition. The seizure of three-fourths of the Fruit Company's land on the Pacific side, under the Agrarian Law, has been finalized. We have notified the Guatemalan Ambassador that we will wish to discuss this in the normal representation of American interests, in order that prompt, adequate and effective compensation may be made. No reply has been received. The Fruit Company will ask the Department to present a claim for the value of its seized holdings but it has not yet referred this claim to the Department for action.

2. International Railways of Central America is also under recurring attack. An embargo was placed on its property about two months ago on a tax claim of $3.5 million but was later withdrawn, since the tax case is before the courts.

3. The Electric Light and Power Company, a wholly owned American and Foreign Power subsidiary, is under threat from two sources: first, hydroelectric power development by the Guatemalan Government which would take water from the river supplying two of the company's plants; and second, revision of its concession contracts as a result of action by a Congressional committee dominated by Communists. This American company has notified the Department that in spite of all its efforts to come to an agreement with the Guatemalan Government it regards its future outlook as very pessimistic.

IV. Our Policy

1. For three years we have steadfastly maintained a policy of withholding favors from the Guatemalan Government and we will continue to do so as long as its toleration and encouragement of Communism continue. At the same time, we have not given in to various pressures for direct intervention, which would be in violation of our fundamental Latin American policy and solemn treaty commitments. At present, we encourage

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Central American nations to stand up to Guatemalan infiltration, with the ultimate purpose of bringing the Guatemalan situation before the OAS.

2. As an important prop to anti-communist Central American nations, we are presently seeking authorization from the Pentagon to include El Salvador, Honduras and Nicaragua in hemispheric defense plans, so that military assistance pacts may be negotiated with them, which would give them arms and material support and at the same time might bring home to the Guatemalan military the further disadvantages of non-cooperation with the U.S. Both Nicaragua and El Salvador are definitely interested, and Honduras might possibly be interested if the other two signed first.

We are also negotiating military mission agreements with Nicaragua and El Salvador, and facilitating the latter to purchase arms in the U.S.

3. We believe that the Guatemalan situation requires most delicate and patient handling and that the dangers to our interests from inadvisable action should be fully weighed against any immediate lure to dispose of the problem abruptly.

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